

AMENDED IN SENATE MAY 22, 2000

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1429**

**Introduced by Assembly Member Floyd**

February 26, 1999

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~~An act to amend Sections 19801 and 19872A of the Business and Professions Code, relating to gambling establishments. An act to amend Sections 19801, 19805, and 19940 of, and to add Article 15 (commencing with Section 19970) and Article 16 (commencing with Section 19980) to Chapter 5 of Division 8 of, the Business and Professions Code, and to amend Sections 186.9, 330, 337j, and 14161 of, and to add Sections 337k, 337l, and 337m to, the Penal Code, relating to gambling.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 1429, as amended, Floyd. Gambling establishments.

*Existing law provides that every person who deals, plays, or carries on, opens, or causes to be opened, or who conducts, either as owner or employer, whether for hire or not, any of a list of specified gambling games, including the game of twenty-one, or any banking or percentage game played with cards, dice, or any device, for money, checks, credit, or any representative of value, and any person who plays or bets at or against such a game, is guilty of a misdemeanor and punishable as specified.*

*This bill would remove the game of twenty-one from these prohibitions, narrow the prohibition on banking games to house-banked games only, and provide that notwithstanding*

*these prohibitions, a licensed owner of a gambling establishment, upon approval by the Gambling Control Commission and the Division of Gambling Control, may deal, play, or carry on, open or cause to be opened, at the gambling establishment, the game commonly known as blackjack or twenty-one as a secured customer trust game.*

*With regard to twenty-one games played at gambling establishments, this bill would require the owner of a gambling establishment to provide patrons with ample notice of the rules, would allow the owner to collect fees on twenty-one games in accordance with existing rules, would double the fees for issuance or renewal of a state gambling license based on the number of twenty-one tables, and would provide that twenty-one may be played at a limited number of the gambling establishment's tables, as specified.*

*This bill would also provide that notwithstanding restrictions in existing law, the licensed owner of a gambling establishment may operate any controlled game as either a player-banked game, or as a secured customer trust game, except for blackjack or twenty-one which would be required to be played exclusively as a secured customer trust game. With respect to secured customer trust banked games, the bill would impose specified restrictions on the use of the funds in the secured customer trust, would prohibit any person other than the owner or on-duty employee of a gambling establishment from participating as a player-banker or dealer, and would impose specified accounting practices on funds deposited in and withdrawn from the secured customer trust, with specified reports required to be sent to the division. The bill would authorize the owner of a gambling establishment to extend an interest-free loan to initiate a secured customer trust, but would provide that in no event shall any of the funds on the trust account or accounts be accessed by the owner. The bill would also provide that if a gambling establishment ceases to offer secured customer trust banked games for play, all funds remaining in a trust shall be forwarded to the Gambling Control Fund for use by the commission and division in discharging their duties and responsibilities under the act.*



*By imposing additional requirements on persons and entities subject to the Gambling Control Act, the violation of which would be punishable as a misdemeanor, this bill would impose a state-mandated local program.*

*The bill would also make various conforming changes to implement these provisions.*

*The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.*

*This bill would provide that no reimbursement is required by this act for a specified reason.*

~~(1) Existing law, the Gambling Control Act of 1997, states several findings and declarations of the Legislature relating the public policy of California regarding gambling and the purposes of the act.~~

~~This bill would delete from these findings and declarations a statement that the longstanding public policy of this state disfavors the business of gambling.~~

~~(2) Under existing law, if the Gambling Control Commission denies a license to an individual owner of any security issued by a corporation that applies for or holds an owner license, the owner of the security is required to offer the security to the issuing corporation, which is required to purchase the security for an amount not greater than fair market value, within 30 calendar days after the date of the offer.~~

~~This bill would add the requirement that the security offered be purchased for book value in cash as provided for in the corporation's articles of incorporation or bylaws, but in no event for an amount greater than fair market value, within that period of time. Additionally, the bill would provide that, if the fair market value, or book value as provided for in the articles of incorporation or bylaws, exceeds \$1,000,000, the commission may allow a period of time not to exceed 90 days for the purchase. This bill would also make additional technical, nonsubstantive changes.~~

~~Vote: majority. Appropriation: no. Fiscal committee: no—yes. State-mandated local program: no—yes.~~

*The people of the State of California do enact as follows:*

~~SECTION 1. Section 19801 of the Business and~~

*SECTION 1. Section 19801 of the Business and Professions Code is amended to read:*

19801. The Legislature hereby finds and declares all of the following:

(a) The longstanding public policy of this state disfavors the business of gambling. State law prohibits commercially operated lotteries, ~~banked~~ or *house-banked* games, percentage games, and gambling machines, and strictly regulates parimutuel wagering on horse racing. To the extent that state law categorically prohibits certain forms of gambling and prohibits gambling devices, nothing herein shall be construed, in any manner, to reflect a legislative intent to relax those prohibitions.

(b) Gambling can become addictive and is not an activity to be promoted or legitimized as entertainment for children and families.

(c) (1) Unregulated gambling enterprises are inimical to the public health, safety, welfare, and good order. Accordingly, no person in this state has a right to operate a gambling enterprise except as may be expressly permitted by the laws of this state and by the ordinances of local governmental bodies.

(2) The State of California has permitted the operation of gambling establishments for more than one hundred years. Gambling establishments were first regulated by the State of California pursuant to legislation which was enacted in 1984. Gambling establishments currently employ more than twenty thousand people in the State of California, and contribute more than one hundred million dollars in taxes and fees to California's government. Gambling establishments are lawful enterprises in the State of California, and are entitled to full protection of the laws of this state. The industry is currently in significant decline, with more than half the gambling establishments in this state closing within the past four years.

1 (d) It is the policy of this state that gambling activities  
2 that are not expressly prohibited or regulated by state law  
3 may be prohibited or regulated by local government.  
4 Moreover, it is the policy of this state that no new  
5 gambling establishment may be opened in a city, county,  
6 or city and county in which a gambling establishment was  
7 not operating on and before January 1, 1984, except upon  
8 the affirmative vote of the electors of that city, county, or  
9 city and county.

10 (e) It is not the purpose of this chapter to expand  
11 opportunities for gambling, or to create any right to  
12 operate a gambling enterprise in this state or to have a  
13 financial interest in any gambling enterprise. Rather, it is  
14 the purpose of this chapter to regulate businesses that  
15 offer otherwise lawful forms of gambling games.

16 (f) Public trust that permissible gambling will not  
17 endanger public health, safety, or welfare requires that  
18 comprehensive measures be enacted to ensure that such  
19 gambling is free from criminal and corruptive elements,  
20 that it is conducted honestly and competitively, and that  
21 it is conducted in suitable locations.

22 (g) Public trust and confidence can only be  
23 maintained by strict and comprehensive regulation of all  
24 persons, locations, practices, associations, and activities  
25 related to the operation of lawful gambling  
26 establishments and the manufacture or distribution of  
27 permissible gambling equipment.

28 (h) All gambling operations, all persons having a  
29 significant involvement in gambling operations, all  
30 establishments where gambling is conducted, and all  
31 manufacturers, sellers, and distributors of gambling  
32 equipment must be licensed and regulated to protect the  
33 public health, safety, and general welfare of the residents  
34 of this state as an exercise of the police powers of the state.

35 (i) To ensure that gambling is conducted honestly,  
36 competitively, and free of criminal and corruptive  
37 elements, all licensed gambling establishments in this  
38 state must remain open to the general public and the  
39 access of the general public to licensed gambling  
40 activities must not be restricted in any manner, except as

1 provided by the Legislature. However, subject to state  
2 and federal prohibitions against discrimination, nothing  
3 herein shall be construed to preclude exclusion of  
4 unsuitable persons from licensed gambling  
5 establishments in the exercise of reasonable business  
6 judgment.

7 (j) In order to effectuate state policy as declared  
8 herein, it is necessary that gambling establishments,  
9 activities, and equipment be licensed, that persons  
10 participating in those activities be licensed or registered,  
11 that certain transactions, events, and processes involving  
12 gambling establishments and owners of gambling  
13 establishments be subject to prior approval or permission,  
14 that unsuitable persons not be permitted to associate with  
15 gambling activities or gambling establishments, and that  
16 gambling activities take place only in suitable locations.  
17 Any license or permit issued, or other approval granted  
18 pursuant to this chapter, is declared to be a revocable  
19 privilege, and no holder acquires any vested right therein  
20 or thereunder.

21 (k) The location of lawful gambling premises, the  
22 hours of operation of those premises, the number of tables  
23 permitted in those premises, and wagering limits in  
24 permissible games conducted in those premises are  
25 proper subjects for regulation by local governmental  
26 bodies. However, consideration of those same subjects by  
27 a state regulatory agency, as specified in this chapter, is  
28 warranted when local governmental regulation  
29 respecting those subjects is inadequate or the regulation  
30 fails to safeguard the legitimate interests of residents in  
31 other governmental jurisdictions.

32 (l) The exclusion or ejection of certain persons from  
33 gambling establishments is necessary to effectuate the  
34 policies of this chapter and to maintain effectively the  
35 strict regulation of licensed gambling.

36 (m) Records and reports of cash and credit  
37 transactions involving gambling establishments may  
38 have a high degree of usefulness in criminal and  
39 regulatory investigations and, therefore, licensed  
40 gambling operators may be required to keep records and

1 make reports concerning significant cash and credit  
2 transactions.

3 *SEC. 2. Section 19805 of the Business and Professions*  
4 *Code is amended to read:*

5 19805. As used in this chapter, the following  
6 definitions shall apply:

7 (a) “Affiliate” means a person who, directly or  
8 indirectly through one or more intermediaries, controls,  
9 is controlled by, or is under common control with, a  
10 specified person.

11 (b) “Applicant” means any person who has applied  
12 for, or is about to apply for, a state gambling license, *a key*  
13 *employee license, a registration, a finding of suitability, a*  
14 *commercial player-bank enterprise license, a work*  
15 *permit, a manufacturer’s or distributor’s license, or an*  
16 *approval of any act or transaction for which—division*  
17 *approval* ~~approval~~ *the approval or authorization of the commission*  
18 *or division* is required or permitted under this chapter.

19 (c) “Bank” or “banked” means the reservoir of money  
20 from which winnings are paid to the players of a hand or  
21 round, and into which all losses that are collected from  
22 those players are deposited.

23 (d) “Board” means the California Gambling Control  
24 Board.

25 (e) “Commission” means the California Gambling  
26 Control Commission.

27 ~~(f)~~

28 (f) “Controlled gambling” means to deal, operate,  
29 carry on, conduct, maintain, or expose for play any  
30 controlled game.

31 ~~(g)~~

32 (g) “Controlled game” means any controlled game, as  
33 defined by subdivision (e) of Section 337j of the Penal  
34 Code.

35 ~~(h)~~

36 (h) “Director,” when used in connection with a  
37 corporation, means any director of a corporation or any  
38 person performing similar functions with respect to any  
39 organization. In any other case, “director” means the  
40 Director of the Division of Gambling Control.



- 1     ~~(g)~~  
2     (i) “Division” means the Division of Gambling  
3     Control in the Department of Justice.  
4     ~~(h)~~  
5     (j) “Finding of suitability” means a finding that a  
6     person meets the qualification criteria described in  
7     subdivisions (a) and (b) of Section 19848, and that the  
8     person would not be disqualified from holding a state  
9     gambling license on any of the grounds specified in  
10    subdivision (a) of Section 19850.  
11    ~~(i)~~  
12    (k) “Game” and “gambling game” means any  
13    controlled game.  
14    ~~(j)~~  
15    (l) “Gambling” means to deal, operate, carry on,  
16    conduct, maintain, or expose for play any controlled  
17    game.  
18    ~~(k)~~  
19    (m) “Gambling enterprise employee” means any  
20    natural person employed in the operation of a gambling  
21    enterprise, including, without limitation, dealers,  
22    floormen, security employees, countroom personnel,  
23    cage personnel, collection personnel, surveillance  
24    personnel, data processing personnel, appropriate  
25    maintenance personnel, waiters and waitresses, and  
26    secretaries, or any other natural person whose  
27    employment duties require or authorize access to  
28    restricted gambling establishment areas.  
29    ~~(l) “Gambling establishment” or “establishment”~~  
30    (n) “*Gambling establishment*,” “*establishment*,” or  
31    “*licensed premises*” means one or more rooms where any  
32    controlled gambling occurs.  
33    ~~(m)~~  
34    (o) “Gambling license” or “state gambling license”  
35    means any license issued by the state that authorizes the  
36    person named therein to conduct a gambling operation.  
37    ~~(n)~~  
38    (p) “Gambling operation” means *exposing for play*  
39    one or more controlled games that are dealt, operated,



1 carried on, conducted, *or* maintained, ~~or exposed for play~~  
2 for commercial gain.

3 ~~(o) Except as provided by regulation, “gross~~

4 (q) “Gross revenue” means the total of all  
5 compensation received for conducting any controlled  
6 game, and includes interest received in payment for  
7 credit extended by an owner licensee to a patron for  
8 purposes of gambling, *except as provided by regulation*.

9 ~~(p) Except as determined by regulation,~~  
10 ~~“independent agent”~~

11 (r) “House-banked game” means any game in which  
12 the licensed owner of a gambling establishment  
13 maintains or operates a bank in a controlled game for the  
14 benefit of any person or entity other than a secured  
15 customer trust.

16 (s) “Independent agent,” *except as provided by*  
17 *regulation*, means any person who does either of the  
18 following:

19 (1) Approves or grants the extension of gambling  
20 credit on behalf of a gambling licensee or collects debt  
21 evidenced by a credit instrument.

22 (2) Contracts with an owner licensee, or an affiliate  
23 thereof, to provide services consisting of arranging  
24 transportation or lodging for guests at a gambling  
25 establishment.

26 ~~(q)~~

27 (t) “Institutional investor” means any retirement  
28 fund administered by a public agency for the exclusive  
29 benefit of federal, state, or local public employees, any  
30 investment company registered under the Investment  
31 Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.), any  
32 collective investment trust organized by banks under  
33 Part Nine of the Rules of the Comptroller of the  
34 Currency, any closed-end investment trust, any  
35 chartered or licensed life insurance company or property  
36 and casualty insurance company, any banking and other  
37 chartered or licensed lending institution, any investment  
38 advisor registered under the Investment Advisors Act of  
39 1940 (15 U.S.C. Sec. 80b-1 et seq.) acting in that capacity,

1 and such other persons as the board may determine for  
2 reasons consistent with the policies of this chapter.

3 ~~(t)~~

4 (u) “Key employee” means any natural person  
5 employed in the operation of a gambling enterprise in a  
6 supervisory capacity or empowered to make  
7 discretionary decisions that regulate gambling  
8 operations, including, without limitation, pit bosses, shift  
9 bosses, credit executives, cashier operations supervisors,  
10 gambling operation managers and assistant managers,  
11 managers or supervisors of security employees, or any  
12 other natural person designated as a key employee by the  
13 division for reasons consistent with the policies of this  
14 chapter.

15 “Key employee” also includes any person who is  
16 employed as an onsite supervisor, observer, or monitor,  
17 or who is employed as a contract player, for a commercial  
18 secured customer trust enterprise.

19 ~~(s)~~

20 (v) “Key employee license” means a state license  
21 authorizing the holder to be associated with a gambling  
22 enterprise as a key employee.

23 ~~(t)~~

24 (w) “Licensed gambling establishment” means the  
25 gambling premises encompassed by a state gambling  
26 license.

27 ~~(tt)~~

28 (x) “Limited partnership” means a partnership  
29 formed by two or more persons having as members one  
30 or more general partners and one or more limited  
31 partners.

32 ~~(vv)~~

33 (y) “Limited partnership interest” means the right of  
34 a general or limited partner to any of the following:

35 (1) To receive from a limited partnership any of the  
36 following:

37 (A) A share of the revenue.

38 (B) Any other compensation by way of income.

39 (C) A return of any or all of his or her contribution to  
40 capital of the limited partnership.

(2) To exercise any of the rights provided under state law.

~~(w)~~

(z) “Owner licensee” means an owner of a gambling enterprise who holds a state gambling license.

~~(x) Unless~~

(aa) “Person,” unless otherwise indicated, ~~—“person”~~ includes a natural person, corporation, partnership, limited partnership, trust, joint venture, association, or any other business organization.

~~(y)~~

(bb) “Player” means a patron of a gambling establishment who participates in a controlled game.

(cc) “Player-banked game” means any game in which the opportunity to maintain or operate a bank rotates to all seated players in the game.

(dd) “Proposition player” means a person associated with a gambling establishment as a contractor or employee who participates in the play of the game, as provided in this chapter, in order to attract business, and who is not an owner or employee of a commercial player-bank enterprise. The licensed owner of a gambling establishment shall ensure that every proposition player he or she engages that plays in a controlled game is clearly identified as a proposition player to every other player participating in that game.

(ee) “Publicly traded racing association” means a corporation licensed to conduct ~~horseracing~~ horse racing and simulcast wagering pursuant to Chapter 4 (commencing with Section 19400) whose stock is publicly traded.

~~(z)~~

(ff) “Qualified racing association” means a corporation licensed to conduct ~~horseracing~~ horse racing and simulcast wagering pursuant to Chapter 4 (commencing with Section 19400) that is a wholly owned subsidiary of a corporation whose stock is publicly traded.

~~(aa)~~

(gg) “Secured customer trust game” means any game in which the bank is maintained or operated by the

1 *licensed owner of the gambling establishment for the sole*  
2 *and exclusive benefit of the secured customer trust.*

3 (hh) “Work permit” means any card, certificate, or  
4 permit issued by the division or by a county, city, or city  
5 and county, whether denominated as a work permit,  
6 registration card, or otherwise, authorizing the holder to  
7 be employed as a gambling enterprise employee or to  
8 serve as an independent agent. A document issued by any  
9 governmental authority for any employment other than  
10 gambling is not a valid work permit for the purposes of  
11 this chapter.

12 *SEC. 3. Section 19940 of the Business and Professions*  
13 *Code is amended to read:*

14 19940. (a) All fines and penalties collected pursuant  
15 to this chapter shall be deposited in a special account in  
16 the General Fund, and, upon appropriation, may be  
17 expended by the Department of Justice to offset costs  
18 incurred pursuant to this chapter.

19 (b) Except as otherwise provided in subdivision (a),  
20 all fees~~and~~, revenue, *and transfers* collected pursuant to  
21 this chapter shall be deposited in the Gambling Control  
22 Fund, which is hereby created in the State Treasury.  
23 Notwithstanding Section 13340 of the Government Code,  
24 five million four hundred thousand dollars (\$5,400,000) of  
25 the funds deposited in the Gambling Control Fund shall  
26 be available, upon appropriation by the Legislature, to  
27 the Department of Justice each fiscal year, commencing  
28 with the 1998–99 fiscal year, for expenditure by the  
29 division and~~board~~ *commission* exclusively for the  
30 support of the division and~~board~~ *commission* in carrying  
31 out their duties and responsibilities under this chapter.

32 *SEC. 4. Article 15 (commencing with Section 19970)*  
33 *is added to Chapter 5 of Division 8 of the Business and*  
34 *Professions Code, to read:*

35

36 *Article 15. Twenty-One*

37

38 19970. Upon approval by the commission and  
39 division, and subject to Section 19980, the licensed owner  
40 of a gambling establishment may deal, play, or carry on,

1 open or cause to be opened, at the gambling  
2 establishment, the game commonly known as blackjack  
3 or twenty-one, the object of which is for a player to obtain  
4 a higher total card count than the dealer by reaching 21,  
5 or as close to 21 as possible without going over that  
6 number.

7 19970.1. The owner of a gambling establishment shall  
8 provide ample notice of the rules for the game of  
9 twenty-one, as approved for play at the gambling  
10 establishment by the commission and division, to the  
11 patrons of the gambling establishment, subject to  
12 regulations of the commission and division.

13 19970.2. The maximum number of tables at which the  
14 game of twenty-one may be offered for play at a gambling  
15 establishment shall be limited by the number of tables the  
16 gambling establishment is authorized to operate, as  
17 follows:

18 (a) A gambling establishment authorized to operate a  
19 total of one to four tables, inclusive, may operate one table  
20 where twenty-one is played.

21 (b) A gambling establishment authorized to operate a  
22 total of five to nine tables may operate up to two tables  
23 where twenty-one is played.

24 (c) A gambling establishment authorized to operate a  
25 total of 10 to 19, inclusive, tables may operate up to four  
26 tables where twenty-one is played.

27 (d) A gambling establishment authorized to operate a  
28 total of 20 to 39, inclusive, tables may operate up to six  
29 tables where twenty-one is played.

30 (e) A gambling establishment authorized to operate a  
31 total of 40 to 59, inclusive, tables may operate up to eight  
32 tables where twenty-one is played.

33 (f) A gambling establishment authorized to operate a  
34 total of 60 or more tables may operate up to 20 tables  
35 where twenty-one is played.

36 19970.3. The fees for issuance or renewal of a state  
37 gambling license, which are based upon the number of  
38 tables that are authorized to be operated at a gambling  
39 establishment as specified in Section 19941, shall be

1 doubled with respect to tables where twenty-one is  
2 played.

3 19970.4. The owner of a gambling establishment may  
4 collect a fee from each person playing twenty-one in a  
5 manner that complies with Section 337j of the Penal  
6 Code.

7 SEC. 5. Article 16 (commencing with Section 19980)  
8 is added to Chapter 5 of Division 8 of the Business and  
9 Professions Code, to read:

10  
11 Article 16. Banked Games  
12

13 19980. (a) The licensed owner of a gambling  
14 establishment may elect to operate a controlled game in  
15 one of two ways. The game may either be secured  
16 customer trust banked or player-banked, except for  
17 blackjack or twenty-one, which shall be played  
18 exclusively as a secured customer trust game. A game  
19 shall not be played if the rules of the game would allow  
20 the game to be banked in any other manner.

21 (b) If the licensed owner of a gambling establishment  
22 elects to operate a controlled game as a secured customer  
23 trust game, then:

24 (1) The game shall not be played if the rules of the  
25 game would allow an owner or on-duty employee of the  
26 gambling establishment to participate in the play of the  
27 game for the benefit of any owner. An owner or on-duty  
28 employee of the gambling establishment shall participate  
29 in the play of the game solely as a player-banker and  
30 dealer, and this participation shall be limited to only  
31 dealing the cards and playing for the benefit of the  
32 secured customer trust. Notwithstanding the foregoing,  
33 one or more proposition players may participate in the  
34 game solely for the purpose of attracting business or  
35 stimulating the action.

36 (2) The game shall not be played if the rules of the  
37 game would allow any person other than an owner or  
38 on-duty employee of the gambling establishment to  
39 participate as a player-banker or dealer.

1 19981. If the licensed owner of a gambling  
2 establishment elects to operate a controlled game as a  
3 secured customer trust banked game, then the secured  
4 customer trust shall be a pool of money that is used as the  
5 bank in the play of the game. The secured customer trust  
6 shall be the only pool of money from which all winnings  
7 are paid to players of a game and into which all losses  
8 collected from players are deposited. An owner or  
9 on-duty employee of the gambling establishment shall  
10 participate in the game as the player-banker and dealer  
11 exclusively on behalf of, and for the benefit of, the  
12 secured customer trust. If for any reason the gambling  
13 establishment ceases to offer secured customer trust  
14 banked games for play, all remaining funds in the secured  
15 customer trust at the time of the cessation of play shall be  
16 forwarded to the Gambling Control Fund for use by the  
17 division and commission in discharging their duties and  
18 responsibilities under the Gambling Control Act.

19 19981.1. If the licensed owner of a gambling  
20 establishment elects to operate a controlled game as a  
21 secured customer trust banked game, then the following  
22 requirements shall apply to the secured customer trust:

23 (a) The licensed owner of the gambling establishment  
24 shall maintain a separate, interest-bearing account or  
25 accounts for the benefit and security of the secured  
26 customer trust. All moneys attributable to the secured  
27 customer trust shall be kept in this account or accounts.  
28 It is from this account or accounts that all winnings are  
29 paid to players of secured customer trust banked games  
30 and into which are deposited all losses collected from  
31 those players. This account or accounts shall not be used  
32 or considered as an asset of any licensed owner of a  
33 gambling establishment, nor may these funds be used as  
34 security, hypothecated, or encumbered, in any fashion or  
35 for any reason whatsoever.

36 (b) Under no conditions shall any of the funds in the  
37 secured customer trust account or accounts be accessed  
38 by the licensed owner of a gambling establishment,  
39 except as follows:



1     *(1) To pay winnings to players in secured customer*  
2     *trust banked games.*

3     *(2) To initiate the secured customer trust, the licensed*  
4     *owner of the gambling establishment may extend an*  
5     *interest-free, unsecured loan to the secured customer*  
6     *trust, which shall be deposited into the secured customer*  
7     *trust account or accounts. Payments from a secured*  
8     *customer trust account on that loan shall not commence*  
9     *unless and until the balance in the secured customer trust*  
10    *account is equal to at least 200 percent of the amount of*  
11    *the loan. A loan to initiate a secured customer trust shall*  
12    *not be made by any person other than the licensed owner*  
13    *of the gambling establishment, and any terms of such a*  
14    *loan that contradict or attempt to circumvent any of the*  
15    *requirements, restrictions, or provisions of this chapter*  
16    *shall be null and void.*

17    19981.2. *If the licensed owner of a gambling*  
18    *establishment elects to operate a controlled game as a*  
19    *secured customer trust banked game, then:*

20    *(a) He or she shall maintain detailed records in a*  
21    *manner satisfactory to the division reflecting the*  
22    *following:*

23    *(1) The amounts of all deposits into, and withdrawals*  
24    *from, the secured customer trust account or accounts.*

25    *(2) The nature and purpose of all deposits into, and*  
26    *withdrawals from, the secured customer trust account or*  
27    *accounts.*

28    *(3) The actual cost of all in-house promotional*  
29    *activities.*

30    *(4) Any other information required by the division.*

31    *(b) No later than the 10th day of each month, the*  
32    *licensed owner of the gambling establishment shall send*  
33    *copies of all records specified in subdivision (a) for the*  
34    *prior month to the division. Nothing in this section shall*  
35    *be construed to limit the division's investigatory powers*  
36    *pursuant to Section 19825.*

37    SEC. 6. *Section 186.9 of the Penal Code is amended to*  
38    *read:*

39    186.9. *As used in this chapter:*

1 (a) “Conducts” includes, but is not limited to,  
2 initiating, concluding, or participating in conducting,  
3 initiating, or concluding a transaction.

4 (b) “Financial institution” means, when located or  
5 doing business in this state, any national bank or banking  
6 association, state bank or banking association,  
7 commercial bank or trust company organized under the  
8 laws of the United States or any state, any private bank,  
9 industrial savings bank, savings bank or thrift institution,  
10 savings and loan association, or building and loan  
11 association organized under the laws of the United States  
12 or any state, any insured institution as defined in Section  
13 401 of the National Housing Act (12 U.S.C. Sec. 1724(a)),  
14 any credit union organized under the laws of the United  
15 States or any state, any national banking association or  
16 corporation acting under Chapter 6 (commencing with  
17 Section 601) of Title 12 of the United States Code, any  
18 agency, agent or branch of a foreign bank, any currency  
19 dealer or exchange, any person or business engaged  
20 primarily in the cashing of checks, any person or business  
21 who regularly engages in the issuing, selling, or  
22 redeeming of traveler’s checks, money orders, or similar  
23 instruments, any broker or dealer in securities registered  
24 or required to be registered with the Securities and  
25 Exchange Commission under the Securities Exchange  
26 Act of 1934 or with the Commissioner of Corporations  
27 under Part 3 (commencing with Section 25200) of  
28 Division 1 of Title 4 of the Corporations Code, any  
29 licensed transmitter of funds or other person or business  
30 regularly engaged in transmitting funds to a foreign  
31 nation for others, any investment banker or investment  
32 company, any insurer, any dealer in gold, silver, or  
33 platinum bullion or coins, diamonds, emeralds, rubies, or  
34 sapphires, any pawnbroker, any telegraph company, any  
35 person or business regularly engaged in the delivery,  
36 transmittal, or holding of mail or packages, any person or  
37 business that conducts a transaction involving the  
38 transfer of title to any real property, vehicle, vessel, or  
39 aircraft, any personal property broker, any person or  
40 business acting as a real property securities dealer within

1 the meaning of Section 10237 of the Business and  
2 Professions Code, whether licensed to do so or not, any  
3 person or business acting within the meaning and scope  
4 of subdivisions (d) and (e) of Section 10131 and Section  
5 10131.1 of the Business and Professions Code, whether  
6 licensed to do so or not, any person or business regularly  
7 engaged in gaming within the meaning and scope of  
8 Section 330, any person or business regularly engaged in  
9 pool selling or bookmaking within the meaning and scope  
10 of Section 337a, any person or business regularly engaged  
11 in horseracing whether licensed to do so or not under the  
12 Business and Professions Code, any person or business  
13 engaged in the operation of a gambling ship within the  
14 meaning and scope of Section 11317, any person or  
15 business engaged in controlled gambling within the  
16 meaning and scope of ~~subdivision (d)~~ *subdivisions (g)*  
17 *and (k)* of Section 19805 of the Business and Professions  
18 Code, whether registered to do so or not, and any person  
19 or business defined as a “bank,” “financial agency,” or  
20 “financial institution” by Section 5312 of Title 31 of the  
21 United States Code or Section 103.11 of Title 31 of the  
22 Code of Federal Regulations and any successor provisions  
23 thereto.

24 (c) “Transaction” includes the deposit, withdrawal,  
25 transfer, bailment, loan, pledge, payment, or exchange of  
26 currency, or a monetary instrument, as defined by  
27 subdivision (d), or the electronic, wire, magnetic, or  
28 manual transfer of funds between accounts by, through,  
29 or to, a financial institution as defined by subdivision (b).

30 (d) “Monetary instrument” means United States  
31 currency and coin; the currency, coin, and foreign bank  
32 drafts of any foreign country; payment warrants issued by  
33 the United States, this state, or any city, county, or city  
34 and county of this state or any other political subdivision  
35 thereof; any bank check, cashier’s check, traveler’s check,  
36 or money order; any personal check, stock, investment  
37 security, or negotiable instrument in bearer form or  
38 otherwise in a form in which title thereto passes upon  
39 delivery; gold, silver, or platinum bullion or coins; and  
40 diamonds, emeralds, rubies, or sapphires. Except for

1 foreign bank drafts and federal, state, county, or city  
2 warrants, “monetary instrument” does not include  
3 personal checks made payable to the order of a named  
4 party which have not been endorsed or which bear  
5 restrictive endorsements, and also does not include  
6 personal checks which have been endorsed by the named  
7 party and deposited by the named party into the named  
8 party’s account with a financial institution.

9 (e) “Criminal activity” means a criminal offense  
10 punishable under the laws of this state by death or  
11 imprisonment in the state prison or from a criminal  
12 offense committed in another jurisdiction punishable  
13 under the laws of that jurisdiction by death or  
14 imprisonment for a term exceeding one year.

15 (f) “Foreign bank draft” means a bank draft or check  
16 issued or made out by a foreign bank, savings and loan,  
17 casa de cambio, credit union, currency dealer or  
18 exchanger, check cashing business, money transmitter,  
19 insurance company, investment or private bank, or any  
20 other foreign financial institution that provides similar  
21 financial services, on an account in the name of the  
22 foreign bank or foreign financial institution held at a bank  
23 or other financial institution located in the United States  
24 or a territory of the United States.

25 *SEC. 7. Section 330 of the Penal Code is amended to*  
26 *read:*

27 330. Every person who deals, plays, or carries on,  
28 opens, or causes to be opened, or who conducts, either as  
29 owner or employee, whether for hire or not, any game of  
30 faro, monte, roulette, lansquenet, rouge et noire, rondo,  
31 tan, fan-tan, seven-and-a-half, ~~twenty-one~~, hokey-pokey,  
32 or any ~~banking~~ *house-banked* or percentage game played  
33 with cards, dice, or any device, for money, checks, credit,  
34 or other representative of value, and every person who  
35 plays or bets at or against any of those prohibited games,  
36 is guilty of a misdemeanor, and shall be punishable by a  
37 fine not less than one hundred dollars (\$100) nor more  
38 than one thousand dollars (\$1,000), or by imprisonment  
39 in the county jail not exceeding six months, or by both the  
40 fine and imprisonment.

1     *SEC. 8. Section 337j of the Penal Code is amended to*  
2     *read:*

3     337j. (a) It is unlawful for any person, as owner,  
4     lessee, or employee, whether for hire or not, either solely  
5     or in conjunction with others, to do any of the following  
6     without having first procured and thereafter maintained  
7     in effect all federal, state, and local licenses required by  
8     law:

9     (1) To deal, operate, carry on, conduct, maintain, or  
10    expose for play in this state any controlled game.

11    (2) To receive, directly or indirectly, any  
12    compensation or reward or any percentage or share of the  
13    revenue, for keeping, running, or carrying on any  
14    controlled game.

15    (3) To manufacture, distribute, or repair any  
16    gambling equipment within the boundaries of this state,  
17    or to receive, directly or indirectly, any compensation or  
18    reward for the manufacture, distribution, or repair of any  
19    gambling equipment within the boundaries of this state.

20    (b) It is unlawful for any person to knowingly permit  
21    any controlled game to be conducted, operated, dealt, or  
22    carried on in any house or building or other premises that  
23    he or she owns or leases, in whole or in part, if that activity  
24    is undertaken by a person who is not licensed as required  
25    by state law, or by an employee of that person.

26    (c) It is unlawful for any person to knowingly permit  
27    any gambling equipment to be manufactured, stored, or  
28    repaired in any house or building or other premises that  
29    the person owns or leases, in whole or in part, if that  
30    activity is undertaken by a person who is not licensed as  
31    required by state law, or by an employee of that person.

32    (d) Any person who violates, attempts to violate, or  
33    conspires to violate this section shall be punished by  
34    imprisonment in a county jail for not more than one year,  
35    or by a fine of not more than five thousand dollars  
36    (\$5,000), or by both that imprisonment and fine.

37    (e) (1) As used in this section, "controlled game"  
38    means any game of chance, including any gambling  
39    device, played for currency, check, credit, or any other

1 thing of value that is not prohibited and made unlawful  
2 by statute or local ordinance.

3 (2) As used in this section, “controlled game” does not  
4 include any of the following:

5 (A) The game of bingo conducted pursuant to Section  
6 326.5.

7 (B) Parimutuel racing on horse races regulated by the  
8 California Horse Racing Board.

9 (C) Any lottery game conducted by the California  
10 State Lottery.

11 (D) Games played with cards in private homes or  
12 residences, in which no person makes money for  
13 operating the game, except as a player.

14 ~~(f) This subdivision is intended to be dispositive of the~~  
15 ~~law relating to the collection of player fees in gambling~~  
16 ~~establishments. No fee may be calculated as a portion of~~  
17 ~~wagers made or from winnings earned. The licensed~~  
18 ~~owner of a gambling establishment may collect from each~~  
19 ~~person who participates in the play of a game at the~~  
20 ~~gambling establishment a flat fee for each wager made by~~  
21 ~~the person. Fees charged for all wagers shall be~~  
22 ~~determined and collected prior to the start of play of any~~  
23 ~~hand or round. Ample notice shall be provided to the~~  
24 ~~patrons of gambling establishments relating to the~~  
25 ~~assessment of fees. Flat fees on each wager may be~~  
26 ~~assessed at different collection rates, but no more than~~  
27 ~~three collection rates may be established per table. The~~  
28 ~~owner of the gambling establishment shall provide ample~~  
29 ~~notice related to the assessment of player fees to the~~  
30 ~~patrons of the gambling establishment, which shall~~  
31 ~~include providing that notice at each table where~~  
32 ~~controlled gambling is conducted. This legislation~~  
33 ~~codifies the holding in Sullivan v. Fox (1987) 189~~  
34 ~~Cal.App.3d 673, as to the collection of player fees in~~  
35 ~~licensed gambling establishments, that no fee shall be~~  
36 ~~calculated as a portion of wagers made or winnings~~  
37 ~~earned, exclusive of charges or fees for the use of space~~  
38 ~~and facilities.~~

39 SEC. 9. Section 337k is added to the Penal Code, to  
40 read:

1 337k. Notwithstanding Section 330, the licensed  
2 owner of a gambling establishment may deal, play, or  
3 carry on, open, or cause to be opened, at the gambling  
4 establishment, the game of twenty-one, provided that the  
5 game is conducted in compliance with the Gambling  
6 Control Act, Chapter 5 (commencing with Section  
7 19800) of Division 8 of the Business and Professions Code.

8 SEC. 10. Section 337l is added to the Penal Code, to  
9 read:

10 337l. Notwithstanding Section 330, the licensed  
11 owner of a gambling establishment may deal, play, or  
12 carry on, open, or cause to be opened, at the gambling  
13 establishment, any controlled game, as defined in  
14 subdivision (e) of Section 337j, played with cards, in  
15 which a player in that game acts as the bank for the game,  
16 provided that the game is conducted in compliance with  
17 the Gambling Control Act, Chapter 5 (commencing with  
18 Section 19800) of Division 8 of the Business and  
19 Professions Code.

20 SEC. 11. Section 337m is added to the Penal Code, to  
21 read:

22 337m. Notwithstanding Section 330, the licensed  
23 owner of a gambling establishment may deal, play, or  
24 carry on, open, or cause to be opened, at the gambling  
25 establishment, any controlled game, as defined in  
26 subdivision (e) of Section 337j, played with cards, in  
27 which a trust of money, which is funded by the players  
28 and is maintained and operated by the licensed owner of  
29 the gambling establishment for the sole and exclusive  
30 benefit of the players, is the bank for the game, provided  
31 that the game is conducted in compliance with the  
32 Gambling Control Act, Chapter 5 (commencing with  
33 Section 19800) of Division 8 of the Business and  
34 Professions Code.

35 SEC. 12. Section 14161 of the Penal Code is amended  
36 to read:

37 14161. As used in this title:

38 (a) "Financial institution" means, when located or  
39 doing business in this state, any national bank or banking  
40 association, state bank or banking association,



1 commercial bank or trust company organized under the  
2 laws of the United States or any state, any private bank,  
3 industrial savings bank, savings bank or thrift institution,  
4 savings and loan association, or building and loan  
5 association organized under the laws of the United States  
6 or any state, any insured institution as defined in Section  
7 401 of the National Housing Act, any credit union  
8 organized under the laws of the United States or any state,  
9 any national banking association or corporation acting  
10 under Chapter 6 (commencing with Section 601) of Title  
11 12 of the United States Code, any foreign bank, any  
12 currency dealer or exchange, any person or business  
13 engaged primarily in the cashing of checks, any person or  
14 business who regularly engages in the issuing, selling, or  
15 redeeming of traveler's checks, money orders, or similar  
16 instruments, any broker or dealer in securities registered  
17 or required to be registered with the Securities and  
18 Exchange Commission under the Securities Exchange  
19 Act of 1934, any licensed sender of money, any  
20 investment banker or investment company, any  
21 insurance company, any dealer in coins, precious metals,  
22 stones, or jewelry, any pawnbroker, any telegraph  
23 company, any person or business engaged in controlled  
24 gambling within the meaning of ~~subdivision (e)~~  
25 *subdivisions (g) and (k)* of Section 19805 of the Business  
26 and Professions Code, whether registered or licensed to  
27 do so or not, and any person or business defined as a  
28 "bank," "financial agency," or "financial institution" by  
29 Section 5312 of Title 31 of the United States Code or  
30 Section 103.11 of Title 31 of the Code of Federal  
31 Regulations and any successor provisions thereto.

32 (b) "Transaction" includes the deposit, withdrawal,  
33 transfer, bailment, loan, payment, or exchange of  
34 currency, or a monetary instrument, as defined by  
35 subdivision (c), by, through, or to, a financial institution,  
36 as defined by subdivision (a). "Transaction" does not  
37 include the purchase of gold, silver, or platinum bullion  
38 or coins, or diamonds, emeralds, rubies, or sapphires by a  
39 bona fide dealer therein, and does not include the sale of  
40 gold, silver, or platinum bullion or coins, or diamonds,

1 emeralds, rubies, or sapphires by a bona fide dealer  
2 therein in exchange for other than a monetary  
3 instrument, and does not include the exchange of gold,  
4 silver, or platinum bullion or coins, or diamonds,  
5 emeralds, rubies, or sapphires by a bona fide dealer  
6 therein for gold, silver, or platinum bullion or coins, or  
7 diamonds, emeralds, rubies, or sapphires.

8 (c) “Monetary instrument” means United States  
9 currency and coin; the currency and coin of any foreign  
10 country; and any instrument defined as a “monetary  
11 instrument” by Section 5312 of Title 31 of the United  
12 States Code or Section 103.11 of Title 31 of the Code of  
13 Federal Regulations, or the successor of either.  
14 Notwithstanding any other provision of this subdivision,  
15 “monetary instrument” does not include bank checks,  
16 cashier’s checks, traveler’s checks, personal checks, or  
17 money orders made payable to the order of a named  
18 party that have not been endorsed or that bear restrictive  
19 endorsements.

20 (d) “Department” means the Department of Justice.

21 (e) “Criminal justice agency” means the Department  
22 of Justice and any district attorney’s office, sheriff’s  
23 department, police department, or city attorney’s office  
24 of this state.

25 (f) “Currency” means United States currency or coin,  
26 the currency or coin of any foreign country, and any legal  
27 tender or coin defined as currency by Section 103.11 of  
28 Title 31 of the Code of Federal Regulations or any  
29 succeeding provision.

30 *SEC. 13. No reimbursement is required by this act*  
31 *pursuant to Section 6 of Article XIII B of the California*  
32 *Constitution because the only costs that may be incurred*  
33 *by a local agency or school district will be incurred*  
34 *because this act creates a new crime or infraction,*  
35 *eliminates a crime or infraction, or changes the penalty*  
36 *for a crime or infraction, within the meaning of Section*  
37 *17556 of the Government Code, or changes the definition*  
38 *of a crime within the meaning of Section 6 of Article*  
39 *XIII B of the California Constitution.*

40 ~~Professions Code is amended to read:~~

1     ~~19801. The Legislature hereby finds and declares all~~  
2     ~~of the following:~~

3     ~~(a) State law prohibits commercially operated~~  
4     ~~lotteries, banked or percentage games, and gambling~~  
5     ~~machines, and strictly regulates parimutuel wagering on~~  
6     ~~horse racing. To the extent that state law categorically~~  
7     ~~prohibits certain forms of gambling and prohibits~~  
8     ~~gambling devices, nothing herein shall be construed, in~~  
9     ~~any manner, to reflect a legislative intent to relax those~~  
10    ~~prohibitions.~~

11    ~~(b) Gambling can become addictive and is not an~~  
12    ~~activity to be promoted or legitimized as entertainment~~  
13    ~~for children and families.~~

14    ~~(c) (1) Unregulated gambling enterprises are~~  
15    ~~inimical to the public health, safety, welfare, and good~~  
16    ~~order. Accordingly, no person in this state has a right to~~  
17    ~~operate a gambling enterprise except as may be expressly~~  
18    ~~permitted by the laws of this state and by the ordinances~~  
19    ~~of local governmental bodies.~~

20    ~~(2) The State of California has permitted the operation~~  
21    ~~of gambling establishments for more than one hundred~~  
22    ~~years. Gambling establishments were first regulated by~~  
23    ~~the State of California pursuant to legislation which was~~  
24    ~~enacted in 1984. Gambling establishments currently~~  
25    ~~employ more than twenty thousand people in the State~~  
26    ~~of California, and contribute more than one hundred~~  
27    ~~million dollars in taxes and fees to California's~~  
28    ~~government. Gambling establishments are lawful~~  
29    ~~enterprises in the State of California, and are entitled to~~  
30    ~~full protection of the laws of this state. The industry is~~  
31    ~~currently in significant decline, with more than half the~~  
32    ~~gambling establishments in this state closing within the~~  
33    ~~past four years.~~

34    ~~(d) It is the policy of this state that gambling activities~~  
35    ~~that are not expressly prohibited or regulated by state law~~  
36    ~~may be prohibited or regulated by local government.~~  
37    ~~Moreover, it is the policy of this state that no new~~  
38    ~~gambling establishment may be opened in a city, county,~~  
39    ~~or city and county in which a gambling establishment was~~  
40    ~~not operating on and before January 1, 1984, except upon~~

~~1 the affirmative vote of the electors of that city, county, or  
2 city and county.~~

~~3 (e) It is not the purpose of this chapter to expand  
4 opportunities for gambling, or to create any right to  
5 operate a gambling enterprise in this state or to have a  
6 financial interest in any gambling enterprise. Rather, it is  
7 the purpose of this chapter to regulate businesses that  
8 offer otherwise lawful forms of gambling games.~~

~~9 (f) Public trust that permissible gambling will not  
10 endanger public health, safety, or welfare requires that  
11 comprehensive measures be enacted to ensure that such  
12 gambling is free from criminal and corruptive elements,  
13 that it is conducted honestly and competitively, and that  
14 it is conducted in suitable locations.~~

~~15 (g) Public trust and confidence can only be  
16 maintained by strict and comprehensive regulation of all  
17 persons, locations, practices, associations, and activities  
18 related to the operation of lawful gambling  
19 establishments and the manufacture or distribution of  
20 permissible gambling equipment.~~

~~21 (h) All gambling operations, all persons having a  
22 significant involvement in gambling operations, all  
23 establishments where gambling is conducted, and all  
24 manufacturers, sellers, and distributors of gambling  
25 equipment must be licensed and regulated to protect the  
26 public health, safety, and general welfare of the residents  
27 of this state as an exercise of the police powers of the state.~~

~~28 (i) To ensure that gambling is conducted honestly,  
29 competitively, and free of criminal and corruptive  
30 elements, all licensed gambling establishments in this  
31 state must remain open to the general public and the  
32 access of the general public to licensed gambling  
33 activities must not be restricted in any manner, except as  
34 provided by the Legislature. However, subject to state  
35 and federal prohibitions against discrimination, nothing  
36 herein shall be construed to preclude exclusion of  
37 unsuitable persons from licensed gambling  
38 establishments in the exercise of reasonable business  
39 judgment.~~

1     ~~(j) In order to effectuate state policy as declared~~  
2     ~~herein, it is necessary that gambling establishments,~~  
3     ~~activities, and equipment be licensed, that persons~~  
4     ~~participating in those activities be licensed or registered,~~  
5     ~~that certain transactions, events, and processes involving~~  
6     ~~gambling establishments and owners of gambling~~  
7     ~~establishments be subject to prior approval or permission,~~  
8     ~~that unsuitable persons not be permitted to associate with~~  
9     ~~gambling activities or gambling establishments, and that~~  
10    ~~gambling activities take place only in suitable locations.~~  
11    ~~Any license or permit issued, or other approval granted~~  
12    ~~pursuant to this chapter, is declared to be a revocable~~  
13    ~~privilege, and no holder acquires any vested right therein~~  
14    ~~or thereunder.~~

15    ~~(k) The location of lawful gambling premises, the~~  
16    ~~hours of operation of those premises, the number of tables~~  
17    ~~permitted in those premises, and wagering limits in~~  
18    ~~permissible games conducted in those premises are~~  
19    ~~proper subjects for regulation by local governmental~~  
20    ~~bodies. However, consideration of those same subjects by~~  
21    ~~a state regulatory agency, as specified in this chapter, is~~  
22    ~~warranted when local governmental regulation~~  
23    ~~respecting those subjects is inadequate or the regulation~~  
24    ~~fails to safeguard the legitimate interests of residents in~~  
25    ~~other governmental jurisdictions.~~

26    ~~(l) The exclusion or ejection of certain persons from~~  
27    ~~gambling establishments is necessary to effectuate the~~  
28    ~~policies of this chapter and to maintain effectively the~~  
29    ~~strict regulation of licensed gambling.~~

30    ~~(m) Records and reports of cash and credit~~  
31    ~~transactions involving gambling establishments may~~  
32    ~~have a high degree of usefulness in criminal and~~  
33    ~~regulatory investigations and, therefore, licensed~~  
34    ~~gambling operators may be required to keep records and~~  
35    ~~make reports concerning significant cash and credit~~  
36    ~~transactions.~~

37    ~~SEC. 2. Section 19872A of the Business and~~  
38    ~~Professions Code is amended to read:~~

39    ~~19872A. (a) If at any time the commission denies a~~  
40    ~~license to an individual owner of any security issued by a~~

1 ~~corporation that applies for or holds an owner license, the~~  
2 ~~owner of the security shall immediately offer the security~~  
3 ~~to the issuing corporation for purchase. The corporation~~  
4 ~~shall purchase the security so offered, for book value in~~  
5 ~~cash as provided for in the articles of incorporation or the~~  
6 ~~bylaws, and in no event in an amount greater than fair~~  
7 ~~market value, within 30 calendar days after the date of the~~  
8 ~~offer. If the fair market value, or book value as provided~~  
9 ~~for in the articles of incorporation or bylaws, exceeds one~~  
10 ~~million dollars (\$1,000,000), the commission may allow~~  
11 ~~the issuing corporation a period of time not to exceed 90~~  
12 ~~days in which to complete the purchase.~~

13 ~~(b) Beginning upon the date when the commission~~  
14 ~~serves notice of the denial upon the corporation, it is~~  
15 ~~unlawful for the denied security owner to do any of the~~  
16 ~~following:~~

17 ~~(1) Receive any dividend or interest upon any security~~  
18 ~~described in subdivision (a).~~

19 ~~(2) Exercise, directly or through any trustee or~~  
20 ~~nominee, any voting right conferred by any security~~  
21 ~~described in subdivision (a).~~

22 ~~(3) Receive any remuneration in any form from the~~  
23 ~~corporation for services rendered or for any other~~  
24 ~~purpose.~~

25 ~~(c) Every security issued by a corporate owner~~  
26 ~~licensee shall bear a statement, on both sides of the~~  
27 ~~certificate evidencing the security, of the restrictions~~  
28 ~~imposed by this section.~~

